

## CHAPTER X

### **HOME PROGRAM QUESTIONS & ANSWERS**

#### **Administration**

1. *Are for-profit developers eligible to apply to the HOME Program?*

No.

#### **CHDO Loan Underwriting**

1. *In what lien position are HOME loans in CHDO rental projects?*

The HOME Deed of Trust is in second position, junior to the construction loan from the conventional lender.

2. *What is the lien position for Affordable Housing Program (AHP) loans in HOME projects?*

AHP loans are junior to the HOME financing.

3. *Does HOME have standard single-family loan documents? What are the loan terms?*

CHDO HOME loans are 30 years (33 years when combined with USDA Rural Development). The interest rate is 3 percent simple interest and deferred for the term of the loan. Interest is forgiven in 10 percent increments beginning in the eleventh year of occupancy if the borrower is not in default with the terms of the loan documents.

#### **Contract**

1. *Can an existing rental owner sell a HOME-funded rental housing development?*  
Yes, the new owner(s) shall fulfill all duties and responsibilities with respect to the operation of the project according to the terms and conditions of the Regulatory Agreement for the affordability period, as specified in 24 CFR 92.252(e).

#### **Disbursing Funds**

1. *If tenant(s) drop out of a TBRA project after the funds have been drawn down, does the money have to be returned? Does the project set-up form have to be changed? What if the tenant(s) return?*

Yes, the money needs to be returned. This is due to the fact that HOME Program funds are disbursed once costs have been incurred or the work has been completed. If a tenant drops out, or moves out, then no assistance is needed, therefore, no costs have been incurred.

The project set up form will need to be revised deleting the tenant or tenants that have dropped out. This is especially important if the project set up form only has one tenant listed on it. A revised project set up form should be sent to the Department in order to free up the funds reserved for this particular project and make the funds available to other projects.

If the tenant(s) returns, a new project set up form needs to be submitted with the new terms of assistance, new amount of assistance, and so on. A new project set up form is also necessary to reserve the amount of funds needed for the new term of assistance.

2. *We submitted a drawdown request for additional funds on a specific project without a revised project set up form. We did not receive the additional funds at all or the additional funds were delayed for an excessive amount of time. Why?*

The Department is required to process a revised project set up form when additional HOME Program funds are being added to an established project. Until the revised project set up form is processed in IDIS, the Department cannot access the additional funds. Submittal of a revised project set up form in advance of or along with the drawdown request for the additional funds, takes care of this problem.

3. *Where can we obtain the forms that are referred to in this chapter?*

You may use copies of the forms found in the Appendix of this chapter or request any HOME forms (eg., HOME-3, HOME-4, HOME-5 and HOME-6) from your State HOME Program Representative. Please be sure you are using the most current versions of all forms. HUD forms can be ordered from HUD or found on their website at <http://www.hudclips.org/cgi/index.cgi>. HOME Forms can be found on HCD's website at <http://www.hcd.ca.gov/ca/home/fiscalindex.html>.

## **Environmental**

1. *Is environmental documentation required for every assisted project in a first-time homebuyer program?*

All HOME contractors with FTHB activities must submit the environmental documentation (forms V-A-4 and V-A-5) prior to their first set-up. If there are no airport clear zones or flood zones in the jurisdiction, or if the jurisdiction will exclude any such units, indicate this in a cover letter for the forms. No additional environmental submittals are necessary. If there are such zones in your jurisdiction and you exclude them, indicate this in your cover letter, and answer the questions in the "Individual Setup Conditions Checklist" (attached). If the unit is located in one of these zones, additional requirements apply.

2. *My environmental review is 3 years old. Is it still valid?*

Environmental reviews should be reexamined and updated every 3 years, and completely redone every 5 years from the date of the certification.

3. *If the HOME project is completed in phases and the NEPA review was completed for the first phase, is a second NEPA review required?*

No, not if the analysis is less than 3 years old, the original review included all affected areas, contemplated all the phases, and no conditions have changed.

4. *When is State Historic Preservation Officer (SHPO) consultation required for individual rehabilitation projects?*

Unless there is a programmatic agreement with SHPO, SHPO consultation is required on each individual rehabilitation project (even single family homes) if any exterior work is proposed, regardless of the age of the unit. Exterior work includes painting and window replacements.

5. *What is the historical preservation process for a CHDO?*

The CHDO or a professional firm conducts the historical and cultural research, submits the information to the HOME Program for review, the HOME Program delivers a finding to SHPO for their concurrence and comments, and SHPO responds.

6. *Is the use of the Minor Rehabilitation Environmental Review (MRER) form limited to single-family projects within a particular rehabilitation cost?*

Yes. The use of the MRER form is limited to projects where the estimated cost of rehabilitation is less than 75% of the total estimated cost of replacement after rehabilitation. Other limitations on the use of the MRER are: 1) unit density is not changed by more than 20%, and 2) the project does not involve changes in land use from residential to non-residential.

7. *If a MRER is used, and there are up to four projects in our program having major rehabilitation costs exceeding 75% of the total estimated replacement costs, is a Statutory Worksheet required for these units?*

Yes. A Statutory Worksheet is required for any project in a rehabilitation program that violates the NEPA definition of minor rehabilitation such as exceeding 75% of the total estimated replacement cost. The MRER can only be used for minor rehabilitation projects.

8. *If a MRER is used, and there are more than four projects in our program having major rehabilitation costs exceeding 75% of the total estimated replacement costs and these units are within 2000 feet of each other, is an Environmental Assessment required?*

Yes.

9. *May a continuation statement be done in lieu of a new MRER?*

A continuation statement is not recommended because the receipt of a new allocation of HOME funds to an existing HOME funded owner-occupied rehabilitation program triggers the NEPA public noticing requirements again. Also, continuation statements do not consider the addition of major rehabilitation projects in an existing minor rehabilitation program. However, if you have already done the continuation statement, we will accept it.

10. *Can I use a Statutory Worksheet instead of the MRER?*

Yes, but the Statutory Worksheet requires additional environmental analysis and is project specific. It is most useful for major rehabilitation projects, not minor rehabilitation projects scattered throughout the locality. Additional considerations are discussed in the HOME Contract Management Manual.

11. *How are the days counted in the public notice periods for environmental publications?*

The public notice requirements include the date of publication, the public comment period (7 or 15 days starting the day after the date of publication as required for your activity), and the 15-day public objection period. The objection period begins on the date in the public notice or the date the HOME Program receives the Request for the Release of Funds (RROF) from the State Recipient or the Department of Housing and Urban Development (HUD) receives the RROF from the HOME Program for CHDOs, whichever is later.

12. *How long before public noticing begins should environmental materials be sent to the HOME Program? Who submits the Request for Release of Funds (RROF) form?*

State Recipients should allow a minimum of two weeks for review. Because the HOME Program serves as the Responsible Entity under NEPA for CHDO projects, CHDOs submitting environmental assessments should minimally allow four months for HOME Program review, consultation with SHPO, and additional environmental research, if necessary.

A RROF form is required if the housing activity triggers the NEPA public noticing requirements. State Recipients and CHDOs must submit the form to the HOME Program. For CHDOs, the HOME Program forwards the form to HUD. Because publishing schedules vary by community and public noticing accuracy is vital for NEPA compliance, we strongly encourage you to allow additional time to allow for possible date revisions to the public notice.

*13. Is the mayor the Certifying Officer?*

Yes, unless a resolution designates someone else.

*14. Is there a limitation of the number of designees for Certifying Officer?*

No.

*15. Can the Certifying Officer for environmental clearances delegate his/her signing to another person?*

No, the governing City or County council must designate the Certifying Officer.

*16. I understand that the 2002 NOFA package contained a sample resolution which would, among other things, name the Certifying Officer. If my resolution named someone to sign "environmental certifications", is this acceptable?*

Yes.

*17. Can the Certifying Officer for the State Recipient delegate the authority to the administrative subcontractor or environmental consulting firm preparing the environmental documents?*

No, the Certifying Officer must be a City or County employee authorized in a resolution.

*18. Can a CDBG environmental publication be used for HOME if it is the same activity?*

Yes, if the notice informed the public of the amount of HOME assistance and no project or environmental conditions have changed. The notice should indicate the amount of federal funds.

*19. Does the CHDO prepare the Environmental Assessment on their projects?*

The CHDO or another professional firm can prepare the Environmental Assessment. The HOME Program remains as the Certifying Officer.

20. *If I am using HOME funds for land acquisition, do I need to complete an Environmental Assessment first?*

Yes, you cannot acquire the land unless the NEPA process, including all public noticing requirements are completed.

21. *If a non-profit purchased the land and came to the County for a HOME loan to finance construction, is this a choice limiting action?*

No, not if an action, such as acquisition, that would normally be considered a choice limiting action takes place prior to applying for HOME funds. But after you apply for HOME funds, if you acquire land, it is a choice limiting action.

22. *Does a conditional use permit demonstrate NEPA compliance?*

No.

23. *How are the environmental requirements under California Environmental Quality Act (CEQA) different from NEPA?*

NEPA is a set of federal environmental laws and has different public noticing, procedures, and agencies to be contacted to complete the environmental review.

24. *What is the difference between a categorical exclusion and an environmental assessment level of clearance?*

Categorically-excluded activities are excluded from NEPA. A categorical exclusion is a lower level of clearance than the environmental assessment and generally requires less environmental analysis. The HOME Contract Management Manual explains the different levels of clearance in detail.

25. *Is acceptable language available that can be used in documents to prevent them from being considered choice limiting actions?*

Yes. Available language is in CPD Notice 01-11 located in the 2003 HOME Contract Management Manual.

26. *Can a CHDO elect to use a local government as the Responsible Entity instead of the State HOME Program?*

No. The Department of Housing and Urban Development clearly requires the HOME Participating Jurisdiction, the State HOME Program, to serve as the Responsible Entity for all CHDO activities.

## **Equal Employment Opportunity**

1. *Is it necessary to gather income, race, age, ethnicity, disability, and gender data on all tenants applying for a multi-family project?*

Yes, all HOME contractors are required to keep records of race, ethnicity, gender, disability, age of target area residents, all applicants, and those selected. This data must be requested, but cannot be required. Application forms filled out by prospective homebuyers and tenants should include pertinent questions to elicit this data.

2. *Does the requirement for all contractors with contracts of \$100,000 or more to submit Section 3 reports apply to individual contract amounts or the total of all contracts executed in a year?*

Only individual contracts of at least \$100,000 trigger the requirement for the contractor to submit a Section 3 report. However, the contractor will report on contracts he or she entered into of less than \$100,000. The entities receiving those smaller contracts do not have to submit a Section 3 report.

3. *How can you count a person as qualifying as a Section 3 resident if they are being paid prevailing wages?*

A person is qualified as a Section 3 resident if they are low income prior to, not after, obtaining the job.

4. *Do you have any practical suggestions for getting Section 3 or ethnicity data from contractors? Should the SR/CHDO provide income limits to the contractor so they know what "lower-income" means?*

It would be helpful if the SR/CHDO provided contractors with forms to make it easier for contractors to keep track of:

- the new hires;
- workforce breakdown and subcontractors needed for the HOME project; and
- certification forms to be filled out by prospective new employees.

The SR/CHDO should also provide the county income limits for lower-income households.

5. *Where is the requirement that State Recipients, CHDOs and rental housing owners must keep records of the age of target area residents, all applicants and those selected?*

The requirement is in 24 CFR Part 146, which prohibits discrimination on the basis of age in federally funded housing, and requires documentation that there was no discrimination. To provide this documentation, records must be kept.

6. *What if you are significantly out of compliance with census characteristics?*

If you have done everything possible to encourage applications by groups that are less likely to apply for HOME assistance so that the households you assist reflect the racial and ethnic composition of the community, and still cannot, then document the efforts you made. You should also consider whether your screening process might be somehow preventing the underserved groups from qualifying for HOME assistance.

7. *Can you use a survey for housing conditions and income instead of using census information?*

No.

8. *Is HCD looking for a separate form to record the statistical information?*

No, if you already collect data through the application or another form this is sufficient.

9. *Does HOME require the collection of U.S. Citizenship data?*

No.

#### **First-time Homebuyer Programs (FTHB)**

1. *If an applicant for FTHB assistance co-signed a loan, but didn't occupy the unit, are they eligible as a FTHB on another unit?*

They are eligible if the co-signer is not listed on title of the property they co-signed the loan for.

2. *Is it OK in a FTHB program for the "gap" to be the difference between the sales price and the maximum the lender will loan?*

No. The City must underwrite the loan, that is, it must determine, based on pre-established formulas and guidelines, what the maximum primary loan can be, with HOME providing the balance.

3. *Can I petition for a 203(b) limit increase for a specified geographic area region?*

Yes. Limit increases are typically granted for entire city or county areas only. See 24 CFR 92. 254 (a) (2) (iii) for the procedure for requesting an increase.

4. *What is the current HUD passbook rate?*

2%.



5. *Can I combine HOME funds with redevelopment funds?*

Yes.

6. *A local businessman is willing to provide a 30-year fixed interest rate loan, open escrow and work with the title company. Are private individuals allowed to act as private lenders in conjunction with the State HOME Program?*

No, we require that every borrower have a primary loan from a lender who is in the business of providing residential real estate loans. This ensures standard underwriting procedures and standard loan types.

### **Fiscal Process**

1. *Is an adjustable rate ok for a First-Time Home Buyer program?*

No, a fixed rate is required.

2. *Can all HOME funds from my HOME contract be deposited into an escrow account?*

No. The HOME Program must draw funds from the U.S. Treasury as needed after our approval.

3. *Do State Recipients need to send in a blank set-up form every month to record Program Income?*

No, only when you submit a drawdown request. Program Income is also reported in the HOME Quarterly Report

4. *We funded preliminary incidental costs, i.e., termite, appraisal, title reports were incurred, but the rehab loan never came to fruition. Can we draw down for these incidental costs?*

No, all draw downs must be for a specific “project” (property) set up in the federal database, and the costs must be for that property.

5. *What can I do to comply with the 15-day clock requirement?*

Develop a process to deposit & spend as soon as the check is received. It is the responsibility of the contractor to ensure that funds are paid out of their local account within 15 days of the wire date listed on remittance advice that accompanies the warrant.

6. *Can we designate our administrative subcontractor as the payee to remain within the 15-day clock time?*

HOME Regulations require State Recipients and CHDOs to disburse their HOME funds within 15 days from the wire date. The funds are then mailed from the State Treasury Office directly to the SR or CHDO who must, in turn, disburse to their administrative sub-contractor for disbursement to the end recipient. This process can delay the disbursement of the funds to the end recipient beyond the 15 days required by HOME regulations. Therefore, the State allows disbursements to be mailed directly from the State Treasury to a SR's or CHDO's administrative subcontractor as long as certain criteria are met. Please contact your HOME representative for details.

7. *Which version of the Project Funding Source Detail form should be used (referring to the date in the right hand corner of the form)? Which HOME contractors have to use these new forms?*

Effective immediately, **all** HOME contractors with an open contract must use the new forms.

8. *Do you reflect a zero balance in Program Income if you use it in the drawdown?*

Yes.

9. *How do you know when to submit a vendor (payee) data form?*

It is used only if the State Controller has no record of the payee to be listed on the state warrants from the HOME Program.

### **Labor Standards**

1. *Does SB 975 apply to FTHB activities?*

Yes, if the activity involves construction.

2. *Are state prevailing wages triggered for owner-occupied rehabilitation projects that cost less than \$10,000?*

Yes, if the amount of rehabilitation is at least \$1,000.

3. *If a homeowner enters into a construction contract, it is my understanding that they are considered the "awarding body" defined in SB 975. What is the State Recipient's responsibility?*

The State Recipient has an oversight responsibility to certify that state prevailing wages are paid when applicable.

4. *Are there exemptions from State Prevailing wages for affordable housing projects under SB 975?*

Yes, the exemptions are explained in the Labor Standards chapter in the HOME Contract Management Manual.

5. *Is there a format for the debarred contractor certification? Is there a format for the SB 975 certification?*

Yes, the debarred contractor certification is contained in the HOME Contract Management Manual. The SB 975/State Prevailing Wage certification, for State Recipients only, is attached to this document.

6. *What is the difference between State prevailing wages and Davis-Bacon wage rates?*

The wage rates can be higher or lower depending on the trade. Workers must be paid the higher for each classification.

### **Lead-based Paint**

1. *What are the effective dates for the new lead requirements?*

Any contract signed after January 10, 2003 between a third party and a building contractor is required to comply with the new regulations.

2. *Are there any requirements for painting if the houses are older than 1978?*

No, but Safe Work Practices still apply.

3. *Can a seller complete the mitigation work and increase the sales price?*

Yes. However, the sales price of the HOME assisted home must never exceed the federal 203(b) purchase price limits.

4. *Can CDBG funds pay for the lead mitigation work?*

Yes.

5. *Can the lead mitigation work be completed after the property is sold?*

No, all health and safety repairs must be completed prior to sale.

6. *Can HOME Program Income be used as a grant for lead mitigation on first-time homebuyer projects?*

HOME funds used for acquisition and rehabilitation may be in the form of a grant for lead mitigation.

7. *Is lead-paint testing an eligible HOME grant use for single-family homes?*

Yes, the State HOME regulations allow funds to be in the form of a grant for the “difference between work customarily performed and the minimally-required work necessary, using the least cost alternative, to comply with federal lead-based paint regulations.” Grants are only permissible in the rehabilitation of owner-occupied housing or the acquisition and rehabilitation of housing for first-time homebuyers.

8. *Are single-family homes occupied by senior citizens exempt from lead based paint requirements?*

No, unless that single family residence is specifically in a development for senior citizens only.

9. *Is lead abatement required for fences or detached garages even if lead exists in the dust or soil around them?*

No.

### **Living Trust**

1. *We have a client who received an owner occupied rehab loan partially funded with HOME funds. The client is elderly and would like to transfer her property into a living trust. The loan has a five year term and can be extended if she is still low income and residing in the house. Can the client transfer title to a living trust and keep the HOME loan?*

Your borrower is free to transfer her property into a living trust so long as she is the beneficiary of the trust and she continues to occupy the property. This transfer should be subject to the following additional condition:

1. The borrower will notify you in a manner and method of your choosing upon the occurrence of any of the following events:
  - a. the trust is amended or revoked; or
  - b. the borrower’s beneficial interest is transferred; or
  - c. legal ownership in the property is transferred; or
- d. the borrower no longer occupies the property as her principal place of residence.

### **Loan Underwriting**

1. *Can interest be forgiven on a HOME loan?*

Yes, the State HOME Program does not require loan interest to be charged.

### **Milestones**

1. *If I decide to return one of the two (2002 contract) funded activities by the one-year deadline for disencumbering prior to incurring a penalty, would the (program) milestone expenditure requirements be reduced accordingly?*

Yes, but if the return is after the one-year deadline, the milestone expenditure requirements will not be reduced accordingly.

2. *If I miss 2 milestones in a row and lose 50 rating points, would the reduction apply to just a program application or also a project application?*

The reduction will apply to your next application regardless of the proposed housing activity.

3. *If a project misses the permanent financing deadline, is there a penalty other than the loss of funds?*

No, but if you meet the permanent financing deadline and then miss the setup or construction loan closing deadline, there will be a performance penalty.

4. *Would the 24-month expenditure deadline, proposed in the new regulations, also apply to projects?*

No. Projects have their own deadlines.

5. *Can a State Recipient get more money if they spend their allocation of funds faster than expected?*

No. Funds are awarded through the HOME application process. However, contractors who meet their deadlines have been allowed to apply for higher application limits under the last two NOFAs issued.

6. *Concerning the 1998 contracts, when are the drawdowns due at HCD to count towards the final milestone?*

The drawdown must be received by the HOME Program by July 21, 2003.

7. *Do the 1998 contracts have a set-up deadline?*

Yes, if you elected to retain the identification and set-up deadlines, rather than be subject to the new expenditure milestones.

8. *Is there any allowance for part of the milestones being reached?*

No.

9. *How will SB 975 affect milestones?*

State Recipients in compliance with their milestones as of December 31, 2002 will be exempted from the milestone requirements until June 30, 2002. For example, all 00-HOME contracts are considered to have qualified for forbearance. Their first milestone is October 31, 2002 (45% expenditure deadline).

10. *Concerning the 1999 contracts, how many met the milestone to qualify for forbearance due to the impacts of SB 975?*

Twenty-four.

## **Monitoring**

1. *How many household files will be monitored?*

The number of household files that will be monitored will depend on the number of HOME assisted units identified in the HOME contract. The HOME Program will monitor at least 10 percent.

2. *Will a monitoring manual be available?*

Yes. HOME will be providing a monitoring manual.

3. *What are the consequences in rating and ranking future applications if a finding is issued per a monitoring visit?*

Currently, there is not a performance penalty for monitoring findings. However, it is anticipated that once the HOME regulations are amended, unresolved monitoring findings will result in a reduction of rating points in the subsequent HOME application. In addition, significant monitoring findings may result in the return of HOME funds.

4. *How long should recertification information be kept?*

5 years, and 5 years after the period of affordability.

## Procurement

1. *If a State Recipient selected the developer prior to submitting the HOME application, may the developer hire its own contractor (i.e., a contractor who is a normal member of the development team or even co-owned by the developer or a subsidiary or related subsidiary), instead of having to go through a competitive bidding process?*

Yes, if a State Recipient selected a developer prior to submitting the HOME application, the developer may hire its own contractor without going through a competitive process.

2. *May a negotiated bid process be used in lieu of a competitive bidding process, for selection of a contractor for a new construction or rehabilitation project?*

No. While this may be allowed for other HUD programs, there are specific requirements applicable to the HOME program requiring competitive bidding for these types of projects.

3. *When is it permissible for a former State Recipient staff person to be employed as the administrative subcontractor for the State Recipient he/she formerly worked at?*

The HOME Program is unaware of any federal limitation governing employment for administrative subcontractors. You may consider adopting a rule prohibiting employment within one year of the person's termination from the State Recipient.

4. *If I select an administrative subcontractor for the 2001 HOME contract, is another procurement process required for the 2002 HOME contract?* Yes, you must conduct a procurement process for each HOME contract.
5. *What are the two website addresses I'll need to check on proposed contractors?*

*State Recipients and CHDOs should now check whether the proposed contractor is on the HUD Debarred List, titled the "List of Parties Excluded from Federal Procurement and Non-procurement Programs." The website address is:*

*<http://www.arnet.gov/epls/>*

*Additionally, you must check whether the proposed contractor is an active State licensed contractor. This may be checked at: <http://www2.cslb.ca.gov>*  
*Copies of printouts from these websites should be:*

- *obtained before execution of any construction contract; and*
- *forwarded with the set up forms submitted to the Department.*

## Program Income

1. *We've accumulated program income. How will this affect us?*

At least 90% of program income must be expended for other eligible HOME expenses before additional HOME funds may be drawn down. Unspent program income may cause you to miss one or more expenditure milestones.

2. *What happens if a milestone is missed?*

State Recipients must give careful attention to program design and management to ensure that the requirement to expend both program income and the HOME award is met within regulatory milestones. If one expenditure milestone is missed, there is no consequence. If two consecutive milestones are missed, the contractor loses all performance points on the next application for funds. If any three milestones are missed, the contractor will be “held out” in the next funding cycle, i.e., not allowed to apply for funds, and will lose all performance points the next time a funding application is submitted.

3. *What documentation is required when program income is accumulated?*

- 1) Submit a revised Funding Source Detail form when program income is spent on a project in place of new HOME funds.
- 2) State Recipients are required to report program income balances and expenditures as part of their Annual Performance Report.

4. *If a rental unit continues to meet all HOME requirements, but the loan is still repaid, is it Program Income or recaptured funds?*

If the period of affordability has not been met, it is recaptured funds. Otherwise it is program income.

5. *How does the State Recipient calculate Program Income on amortized loans?*

All money received from amortized payments is Program Income.

6. *Is there a 30-day grace period between spending Program Income and the draw of new HOME funds?*

No, Program Income must be disbursed before additional drawdown requests are made for HOME funds. However, as a practical matter, State Recipients are allowed to check the Program Income/Recaptured Funds balance only once per month. If a repayment comes in on the day after the report is issued, the repayment does not need to be spent first.

7. *Is documentation required to substantiate the expenditure of the 10% administrative allowance?*

Yes. Federal accountability standards apply to the expenditure of administration funds whether funded by Program Income or drawdowns from the State. Keep the records with your project files.



8. *Can the State Recipient accumulate Program Income?*

Yes, but the State Recipient may not request drawdowns from HOME until the Program Income is expended. There is no prohibition against accumulating Program Income. There is only a requirement that Program Income be disbursed prior to drawing down HOME funds.

9. *Is there a minimum amount of Program Income that a State Recipient can keep in its local account?*

No, all Program Income must be used before drawing down new HOME funds.

10. *Are loan payments (principal and interest) and late fees considered Program Income?*

Yes. All loan payments, received during the federally required period of affordability, are received when the period of affordability is still being met, so all such repayments are Program Income, not recaptured funds. All payments and late fees received after the period of affordability has ended are also Program Income.

11. *Can the State Recipient have an agreement with the Administrative Subcontractor to spend Program Income?*

No, because the State Recipient designated employee, i.e. city manager, is required to sign for the State Recipient.

12. *If I return Program Income to the State HOME Program do I need to return match dollars as well?*

Yes, in order for match to be counted it has to be repaid to the local HOME account and the repayment is considered Program Income.

13. *When using Program Income do you need to provide match?*

No, only the original HOME funds are required to be matched.

14. *Is repayment of cash match considered Program Income?*

Yes. It is Program Income and must be returned to the local account.

15. *Does the minimum \$1,000 HOME investment requirement apply to Program Income?*

No.

13. *Does the recordation of a loan sufficiently indicate program income was expended?*

No, recording a loan does not mean program income was actually expended.

## **Project Completion Report**

### *1. Is there a difference between closing a project and canceling a project?*

Yes. Closing and canceling projects are two very different processes and confusing these terms may lead to problems with your HOME Program allocation. Closing a project means that the work on the project has been completed, a final drawdown has been requested and paid; and a project completion report has been completed, processed by the Department and IDIS.

A canceled project means that the project was terminated before the project was completed. Reasons include: First-time Homebuyer failing to get primary lender approval; an owner changing his/her mind regarding their rehabilitation project; an owner being determined to be income ineligible, etc. If funds have been disbursed, they will need to be repaid to the Department and subsequently be repaid to HUD. Once the returned funds have been received and processed in IDIS, the project(s) will be canceled in IDIS and the funds returned to the HOME allocation for use on additional projects.

### *2. Where can we obtain the forms that are referred to in this chapter?*

You may use copies of the forms found in the Appendix of this chapter or request any HOME forms (eg., HOME-3, HOME-4, HOME-5 and HOME-6) from your State HOME Program Representative. Please be sure you are using the most current versions of all forms. HUD forms can be ordered from HUD or found on their website at <http://www.hudclips.org/cgi/index.cgi>. HOME Forms can be found on HCD's website at <http://www.hcd.ca.gov/ca/home/fiscalindex.html>.

## **Project Set Up**

### *1. What is required to document the permanent financing deadline?*

Submittal of a firm commitment letter.

### *2. Can you complete a set-up package before you receive the executed standard agreement?*

Yes, the HOME Program will look at set-ups as soon as they are received.

## **Project Set-Up Report Forms**

### *1. On the Homeownership Assistance/Rental Housing Project Set-Up Report (Form #40094), Part A, Box 9 asks if the project is assisted by a CHDO loan. What does this mean?*

If the project is assisted by funds reserved for Community Housing Development Organizations (CHDOs), **and** the funds are being used to provide either seed-money (predevelopment) loan or technical assistance and site control loan to this particular project, check “yes”, all other CHDO projects should check “no”. If unsure, please contact your HOME Program Representative for clarification.

2. *How do I set up a project that has more than one address? For example, I have a project that included three single-family homes, and each one has a different address.*

Generally speaking, each address would be a separate project set up, but if a rental rehabilitation project involves several addresses owned by one individual or entity - then one project set up form could be utilized. However, for each address, a separate Part C. Household Characteristics form must be filled out. In the example of one project having three single-family homes, one project set up form and three household characteristics forms would need to be completed.

3. *If additional tenants are being provided assistance, can they be added to the original Tenant-Based Rental Assistance (TBRA) Project Set-Up Form?*

If the new tenants’ term of the assistance ending date differs from that of the tenants listed on the original project set up form, the form cannot be amended. A new TBRA project set up form would need to be completed for the additional tenants. For example, if a project is set up with a term of assistance lasting 12-months, January through December, additional tenants would not be able to be added if their term of assistance was February through January. This would involve a new TBRA project set up form for those additional tenants.

4. *On the Project Set Up Form (HUD 40094), Part A, Box #5, what should be checked if a project involves both acquisition and new construction or both acquisition and rehabilitation?*

Check only one box. Do not check the “Acquisition Only” box unless the HOME Program funds are only being used for acquisition of the project or property. If the project includes both acquisition and construction, check “New Construction”. If it includes acquisition and rehabilitation, check either “Moderate Rehabilitation” or “Substantial Rehabilitation,” depending on the cost of rehabilitation per HOME-assisted unit.

If one parcel of land has one or more buildings and the project includes one or more buildings being constructed and one or more existing buildings being rehabilitated, the two types of activities can be set up as one project -- either new construction or rehabilitation depending on which activity the larger amount of HOME funds is committed to.

5. *If tenant(s) drop out of a TBRA project after the funds have been drawn down, does the money have to be returned? Does the project set-up form have to be changed? What if the tenant(s) return?*

Yes, the money needs to be returned. This is due to the fact that HOME Program funds are disbursed once costs have been incurred or the work has been completed. If a tenant drops out, or moves out, then no assistance is needed, therefore, no costs have been incurred.

The project set up form will need to be revised deleting the tenant or tenants that have dropped out. This is especially important if the project set up form only has one tenant listed on it. A revised project set up form should be sent to the Department in order to free up the funds reserved for this particular project and make the funds available to other projects.

If the tenant(s) returns, a new project set up form needs to be submitted with the new terms of assistance, new amount of assistance, and so on. A new project set up form is also necessary to reserve the amount of funds needed for the new term of assistance.

6. *Where can we obtain the forms that are referred to in this chapter?*

You may use copies of the forms found in the Appendix of this chapter or request any HOME forms (eg., HOME-3, HOME-4, HOME-5 and HOME-6) from your State HOME Program Representative. Please be sure you are using the most current versions of all forms. HUD forms can be ordered from HUD or found on their website at <http://www.hudclips.org/cgi/index.cgi>. HOME Forms can be found on HCD's website at <http://www.hcd.ca.gov/ca/home/fiscalindex.html>.

### **Quarterly Reports**

1. *When is the first quarterly report due on new contracts?*

They are due on July 31, 2003 for the quarter ending June 30, 2003.

2. *Can the administrative subcontractor sign the report forms?*

Yes. In addition, the administrative subcontractor should provide a copy to the State Recipient or CHDO.

3. *Will HCD accept quarterly reports by fax and e-mail?*

The reports must be signed, so fax is OK, but e-mail is not.

4. *Who is required to sign the quarterly reports?*

The reports must be signed by the party responsible for completing the report as designated by the State Recipient or CHDO.

5. *What quarterly report formats are used for older contracts (98,99,00-HOME)?*

Use the new quarterly report contained in the current HOME Contract Management Manual.

6. *Is the Section 3 report separate from the MBE/WBE report?*

Yes.

7. *Do we have to give the Section 3 report form to contractors?*

Yes. Give the forms to your contractors early because it takes time to collect the reports back. The forms were mailed around June 1.